

ORIGINAL  
OPEN MEETING ITEM



0000035293

MEMORANDUM

410

TO: Docket Control Center

FROM: Ernest G. Johnson  
Director  
Utilities Division

DATE: November 22, 2005

RE: IN THE MATTER OF THE APPLICATION OF MATRIX TELECOM, INC. FOR APPROVAL TO TRANSFER CERTAIN ASSETS OF GLOBAL CROSSING TELECOMMUNICATIONS, INC., GLOBAL CROSSING TELEMAGEMENT, INC. AND GLOBAL CROSSING LOCAL SERVICES, INC. TO MATRIX TELECOM, INC. (DOCKET NOS. T-03228A-05-0216, T-02438B-05-0216, T-03539A-05-0216 AND T-03658A-05-0216)

Attached is the Staff Report and proposed order on the application of Matrix Telecom, Inc. for approval of the reorganization, transfer of certain assets of Global Crossing Telecommunications, Inc., Global Crossing Telemagement, Inc. and Global Crossing Local Services, Inc. to Matrix Telecom, Inc.

EGJ:WMS:lhj/JMA

Originator: Wilfred Shand, Jr.

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Service List for: Matrix Telecom, Inc., Global Crossing Telecommunications, Inc., Global Crossing Telemanagement, Inc. and Global Crossing Local Services, Inc.

Docket Nos. T-03228A-05-0216, T-02438B-05-0216, T-03539A-05-0216 and T-03658A-05-0216

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Ms. Lyn Farmer  
Chief Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

MATRIX TELECOM, INC., GLOBAL CROSSING TELECOMMUNICATIONS, INC.,  
GLOBAL CROSSING TELEMAGEMENT, INC. AND GLOBAL  
CROSSING LOCAL SERVICES, INC.

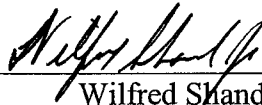
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AND T-03658A-05-0216

IN THE MATTER OF THE APPLICATION OF MATRIX TELECOM, INC. FOR  
APPROVAL TO TRANSFER CERTAIN ASSETS OF GLOBAL CROSSING  
TELECOMMUNICATIONS, INC., GLOBAL CROSSING TELEMAGEMENT, INC. AND  
GLOBAL CROSSING LOCAL SERVICES, INC. TO MATRIX TELECOM, INC.

November 22, 2005

## STAFF ACKNOWLEDGEMENT

The Staff Report for Matrix Telecom, Inc., Global Crossing Telecommunications, Inc., Global Crossing Telemangement, Inc. and Global Crossing Local Services, Inc., Docket Nos. T-03228A-05-0216, T-02438B-05-0216, T-03539A-05-0216 and T-03658A-05-0216, was the responsibility of the staff member listed below. Wilfred Shand, Jr. was responsible for the review and analysis of Global Crossing Telecommunications, Inc., Global Crossing Telemangement, Inc. and Global Crossing Local Services, Inc. application to transfer certain assets to Matrix Telecom, Inc.



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Wilfred Shand, Jr.  
Public Utility Analyst Manager

## **Introduction**

On March 25, 2005, Matrix Telecom, Inc. ("Matrix"), submitted to the Arizona Corporation Commission ("Commission") an application for approval of the transfer of certain assets from Global Crossing Telecommunications, Inc., Global Crossing Telemanagement, Inc. and Global Crossing Local Services, Inc. (hereinafter referred to collectively as "GC") to Matrix. This application also requested a waiver of any applicable anti-slamming regulations that may be violated by this transfer being made without the specific authorization and verification of each subscriber affected.

## **Background**

On May 16, 2003, in Decision No. 65926, the Commission granted Matrix a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance telecommunications services in the State of Arizona. On April 6, 2005, Matrix Telecom, Inc. ("Matrix" or "Applicant") filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide resold local exchange services within the State of Arizona. At this time, that application is still pending.

On May 1, 1985, in Decision No. 54505, Global Crossing Telecommunications was granted a CC&N to provide local exchange service in the State of Arizona. On April 1, 1999, in Decision No. 61622, the Commission granted Global Crossing Local Services a CC&N to provide local exchange service in the State of Arizona. On October 29, 1998, the Commission, in Decision No. 61213, granted Global Crossing Telemanagement, Inc. a CC&N to provide local exchange service in the State of Arizona.

## **Transfer of Assets**

The Application stated that on March 19, 2005, Matrix and GC entered into an Asset Purchase Agreement in which Matrix will purchase and assume the liabilities of certain assets of GC's Small Business Group. Upon the completion of this agreement, Matrix will serve the Small Business Group customer base, and GC will continue to provide service to its remaining customers, i.e., customers not previously served by its Small Business Group.

On March 25, 2005, Matrix filed an application requesting approval of this transaction. Matrix also requested a waiver of any applicable anti-slamming regulations that may be violated by this transfer being made without the specific authorization and verification of each subscriber affected. Pursuant to A. R. S. Section 40-285, the Commission has jurisdiction over this matter. Staff has reviewed the customer notification letter that Matrix provided to all GC Small Business Customers. Because that notice was provided in a timely manner, informs customers that the rates, terms and conditions of service will not change as a result of this asset transfer and informs customers that they may subscribe to the telecommunications service provider of their choice, Staff believes the Commission's Slamming and Cramming rules should be waived in this matter.

Consumer Services Staff has indicated that there are no open complaints, inquiries or opinions concerning Matrix or GC. Matrix has informed Staff that it will honor any customer deposits and/or prepayments previously collected by GC. Consequently, there is no risk that an advance, deposit and/or prepayment of funds from Arizona customers would be lost by approving this asset transfer.

### **Recommendations**

1. Staff recommends approval of Matrix's request to acquire certain telecommunications service assets of GC, effective upon approval of Matrix's application for a CC&N to provide resold local exchange services within the State of Arizona.
2. Staff recommends approval of Matrix's requested waiver of the Commission's Slamming and Cramming rules in this matter.

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MARC SPITZER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF MATRIX TELECOM, INC. FOR  
APPROVAL TO TRANSFER CERTAIN  
ASSETS OF GLOBAL CROSSING  
TELECOMMUNICATIONS, INC., GLOBAL  
CROSSING TELEMAGEMENT, INC.  
AND GLOBAL CROSSING LOCAL  
SERVICES, INC. TO MATRIX TELECOM,  
INC.

DOCKET NOS. T-03228A-05-0216  
T-02438B-05-0216  
T-03539A-05-0216  
T-03658A-05-0216

DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
December 6 and 7, 2005  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On March 25, 2005, Matrix Telecom, Inc. ("Matrix"), submitted to the Arizona Corporation Commission ("Commission") an application for approval of the transfer of certain assets from Global Crossing Telecommunications, Inc., Global Crossing Telemagement, Inc. and Global Crossing Local Services, Inc. (hereinafter referred to collectively as "GC") to Matrix. This application also requested a waiver of any applicable anti-slamming regulations that may be violated by this transfer being made without the specific authorization and verification of each subscriber affected.

2. On May 16, 2003, in Decision No. 65926, the Commission granted Matrix a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance telecommunications services in the State of Arizona. On April 6, 2005, Matrix Telecom, Inc.

1 ("Matrix" or "Applicant") filed an application for a Certificate of Convenience and Necessity  
2 ("CC&N") to provide resold local exchange services within the State of Arizona. At this time, that  
3 application is still pending.

4 3. On May 1, 1985, in Decision No. 54505, Global Crossing Telecommunications was  
5 granted a CC&N to provide local exchange service in the State of Arizona. On April 1, 1999, in  
6 Decision No. 61622, the Commission granted Global Crossing Local Services a CC&N to provide  
7 local exchange service in the State of Arizona. On October 29, 1998, the Commission, in Decision  
8 No. 61213, granted Global Crossing Telemanagement, Inc. a CC&N to provide local exchange  
9 service in the State of Arizona.

10 4. The Application stated that on March 19, 2005, Matrix and GC entered into an  
11 Asset Purchase Agreement in which Matrix will purchase and assume the liabilities of certain  
12 assets of GC's Small Business Group. Upon the completion of this agreement, Matrix will serve  
13 the Small Business Group customer base, and GC will continue to provide service to its remaining  
14 customers, i.e., customers not previously served by its Small Business Group.

15 5. On March 25, 2005, Matrix filed an application requesting approval of this  
16 transaction. Matrix also requested a waiver of any applicable anti-slamming regulations that may  
17 be violated by this transfer being made without the specific authorization and verification of each  
18 subscriber affected. Pursuant to A. R. S. Section 40-285, the Commission has jurisdiction over  
19 this matter. Staff has reviewed the customer notification letter that Matrix provided to all GC  
20 Small Business Customers. Because that notice was provided in a timely manner, informs  
21 customers that the rates, terms and conditions of service will not change as a result of this asset  
22 transfer and informs customers that they may subscribe to the telecommunications service provider  
23 of their choice, Staff believes the Commission's Slamming and Cramming rules should be waived  
24 in this matter.

25 6. Consumer Services Staff has indicated that there are no open complaints, inquiries  
26 or opinions concerning Matrix or GC. Matrix has informed Staff that it will honor any customer  
27 deposits and/or prepayments previously collected by GC. Consequently, there is no risk that an  
28 ...



1 advance, deposit and/or prepayment of funds from Arizona customers would be lost by approving  
2 this asset transfer.

3 7. Staff has recommended approval of Matrix's request to acquire certain  
4 telecommunications service assets of GC.

5 8. Staff further recommends that said approval be effective upon Commission  
6 approval of Matrix's application for a CC&N to provide resold local exchange services within the  
7 State of Arizona.

8 9. Staff has further recommended approval of Matrix's requested waiver of the  
9 Commission's Slamming and Cramming rules in this matter.

10 CONCLUSIONS OF LAW

11 1. Matrix and GC are public service corporations within the meaning of Article 15,  
12 Section 3 of the Arizona Constitution and Title 40 of the Arizona Revised Statutes.

13 2. The Commission has jurisdiction over the transaction proposed in the Application  
14 pursuant to Article 15, Section 3 of the Arizona Constitution.

15 3. It is in the public interest to approve the transaction (effective upon approval of the  
16 Matrix application for a CC&N to provide resold local exchange services within the State of  
17 Arizona) and the requested waiver of the Commission's Slamming and Cramming rules in this  
18 matter.

19 ORDER

20 IT IS THEREFORE ORDERED that Matrix's request to acquire certain  
21 telecommunications service assets of GC be and hereby is approved effective upon Commission  
22 approval of the Matrix application for a CC&N to provide resold local exchange services within  
23 the State of Arizona.

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IT IS FURTHER ORDERED that Matrix's requested waiver of the Commission's Slamming and Cramming rules in this matter be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

BRIAN C. McNEIL  
Executive Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:WMS:lhj/JMA

1 SERVICE LIST FOR: Matrix Telecom, Inc., Global Crossing Telecommunications, Inc., Global  
2 Crossing Telemanagement, Inc. and Global Crossing Local Services, Inc.

3 DOCKET NOS. T-03228A-05-0216, T-02438B-05-0216, T-03539A-05-0216 and  
4 T-03658A-05-0216

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13 Arizona Corporation Commission  
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